

Domestic Employers and the taxation of Domestic Employees

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Introduction

Under section 986(6) of the Taxes Consolidation Act 1997 (TCA 1997), certain qualifying employers known as ‘domestic employers’ are removed from the obligation to register as an employer.

The main aim of section 986(6) TCA 1997 is to reduce the administrative burden for an individual who employs someone on domestic duties for a few hours a week and who, but for this provision, would have to register as an employer for Pay As You Earn (PAYE) purposes.

An individual who is required to register as an employer in respect of non-domestic employees is entitled to avail of this scheme in relation to a "domestic employee".

1. Details of the Domestic Employment Scheme

The effect of the scheme is that qualifying domestic employers do not operate PAYE, Universal Social Charge (USC) or deduct tax in any other way from a domestic employee’s pay. See [Section 2](#) regarding Employer Pay Related Social Insurance (PRSI).

A qualifying “**domestic employer**” is one who:

- ◆ is an **individual** (organisations, companies, clubs etc. do not qualify),
- ◆ has only **one domestic employee** who is employed solely on domestic duties in the home, and
- ◆ pays **less than €40 a week** to that employee.

A “**domestic employee**” is an individual, e.g., an Au Pair, who is employed by a domestic employer solely on domestic duties (including the minding of children) in the employer’s private dwelling house. The domestic employee may have other employments with different employers.

An employer who:

- ◆ pays €40 or more a week to a domestic employee, or
- ◆ has more than one domestic employee concurrently,

must register as an employer and operate PAYE in the normal way.

For the tax years up to and including the year 2018, a registration limit applied to all other employers, i.e., they must register for PAYE purposes if they pay:

- ◆ €8 a week (€36 a month) or more, to an employee who has only one employment, or

- ◆ €2 a week (€9 a month) or more, to any other employee.

From the year 2019 onwards, there is no minimum registration limit for all other employers. Employers, other than domestic employers, must register as an employer and deduct Income Tax, PRSI and USC as appropriate under the PAYE system on the making of a payment of emoluments to employees.

2. Employer PRSI

Although the domestic employer is not required to register as an employer, he or she is liable to pay employer's PRSI at the rate of 0.5% (Class J). This contribution covers Occupational Injuries Benefit only.

The domestic employer should use the form available at [Appendix 1](#) to register with the Department of Social Protection (DSP). This form should be submitted at the commencement of the employment.

PRSI is payable by the employer in a single sum at the end of the tax year to the PRSI Special Collection Section, Social Welfare Services Offices, Cork Road, Waterford, X91 EH04. The form to be returned to the PRSI Special Collection Section along with the payment of PRSI at the end of the year is available at [Appendix 2](#).

3. Taxation of income from Domestic Employment

The income a domestic employee receives from a domestic employment:

- ◆ is chargeable to income tax and USC, and
- ◆ qualifies for the employee tax credit.

The collection of tax due, if any, will depend on the circumstances of each case. It is expected that the income of most domestic employees will be less than their tax credits or under the exemption limit appropriate to them.

In the case of married persons and civil partnerships, where aggregation applies and one spouse's or civil partner's only income is from a domestic employment, any tax due should be collected by restriction of the other spouse's or civil partner's tax credits, or reduction of any refund of tax claimed by the other spouse or civil partner.

If the domestic employee has concurrent non-domestic employment, the tax due should be collected by way of restriction of tax credits due against the non-domestic employment.

Where an individual ceases to be employed as a domestic employee and takes up other employment in the same tax year, the figure of pay supplied by that individual in relation to the domestic employment will be accepted for the purposes of issuing a tax credit certificate to the new (non-domestic) employer.

4. How to declare income from Domestic Employment

A domestic employee should declare income from a domestic employment by completing an Income Tax Return.

PAYE customers should declare this income on their Form 12 in [MyAccount](#) as 'Employments/Offices/Pensions not subject to PAYE deduction'.

Chargeable persons should declare this income on their Form 11 in ROS as 'Irish employment / pension / taxable benefits and foreign employment not subject to PAYE'.

5. Bonus Payments

Where a domestic employer makes a bonus payment which increases the domestic employee's pay to €40 or more in a particular week, the domestic employer can continue within the scheme provided:

- ◆ the bonus is reasonable and in line with the normal weekly wage, and
- ◆ no more than 2 bonuses are paid each year.

The question as to whether a bonus is reasonable and in line with the normal weekly wage is to be decided by the circumstances of each case where it arises.

Bonus payments received should be included in the amounts declared by the domestic employee as set out above in [Section 4](#).

Appendix 1

Domestic Employer Scheme Registration Form

Employment Details

Employer Registered Number (if any) _____

Name _____

Address _____

Phone Number _____

Duties of Employee _____
(e.g. housework, child minding etc.)

Date employment commenced: _____

Weekly pay € _____

Employee's Details

Name _____

Address _____

PPS No _____

Declaration

I declare that the employment details supplied by me in this application are true in every respect and that the employee details are as supplied by him or her.

Signature of Employer _____

Date: _____

Send this completed registration form to:

Special Collection Section
PRSI Special Collection Section
Social Welfare Services Offices
Cork Road
Waterford
X91 EHO4

Appendix 2

Domestic Employer - PRSI Calculation and Payment at End-of-Year

Domestic Employer's Name _____

Address _____

Name of Employee _____

Employee's PPS Number _____

Date Employee Commenced ___/___/___ Date Employee Ceased ___/___/___

Amount Paid in Year Ended 31 December _____

Calculate PRSI due as follows

Pay is less than €40 per week:

Pay € _____ x 0.5% = € _____

Signature of Employer _____

Date ___ / ___ / _____

Pay by cheque:

Attach a cheque to this form and send the form and cheque to-

Accountant
Department of Social Protection
Government Buildings
St. Alphonsus Road
Dundalk
Co. Louth
A91 PP5W

Pay by ebanking:

Danske Bank, 3 Harbourmaster Place, IFSC, Dublin 1
Name of account: Non-Debt Account
Sort Code: 951599 Account number: 90003972
BIC: DABAIE2D IBAN: IE79DABA95159990003972
Reference: "SPC" and identify company by employer number or name

And

Send a copy of this form to:

PRSI Special Collection Section
Social Welfare Services Offices
Cork Road
Waterford
X91 EHO4